

# MAYOR & COUNCIL AGENDA COVER SHEET

**MEETING DATE:**

February 3, 2003

**RESPONSIBLE STAFF:**

Louise Kauffmann, Grants  
Administrator  
Nancy Walsh, Grants Writer

**AGENDA ITEM:**

(please check one)

	Presentation
	Proclamation/Certificate
	Appointment
<b>X</b>	Public Hearing
	Historic District
	Consent Item
	Ordinance
	Resolution
	Policy Discussion
	Work Session Discussion Item
	Other:

**PUBLIC HEARING HISTORY:**

(Please complete this section if agenda item is a public hearing)

Introduced	
Advertised	1/22/03
Hearing Held	
Record Held Open	
Policy Discussion	

**TITLE:**

Gaithersburg Community Development Block Grant Funding  
as a Direct Entitlement Community Through the U.S.  
Department of Housing and Urban Development

**SUPPORTING BACKGROUND:**

The purpose of this hearing is: (1) to introduce Gaithersburg's receipt of Community Development Block Grant (CDBG) funds as a direct entitlement community in FY04; (2) to provide information on the change in status and how CDBG funds may be used; and (3) to give residents and interested businesses and organizations an opportunity to offer general ideas on how CDBG funds should be used in FY04.

Proposals for specific programs and services to be funded through the CDBG program will be presented to the Mayor and City Council at a public hearing on March 3, 2003.

Staff is preparing the Consolidated Plan, HUD's application for this formula program, which will be presented to the Mayor and Council as a 'draft' document on March 17. This will be followed by a 30 – day public comment period. Public input will be included in the final document to go before the Mayor and Council on May 5 for final approval.

Again, the primary purpose of this presentation is to inform the Mayor and City Council and general public information about the CDBG program. Recommendations for specific CDBG projects will be made on March 3. After review of proposed projects, staff will make recommendations for funding to Mayor and City Council on March 17.

See attached memo.

**DESIRED OUTCOME:**

**Hear staff presentation and provide opportunity for public comment. Staff recommends the record be closed March 10, 2003.**

MEMORANDUM TO: Mayor and City Council

VIA: David B. Humpton, City Manager

FROM: Louise Kauffmann, Grants Administrator  
Nancy Walsh, Grants Writer

DATE: January 29, 2003

SUBJECT: Gaithersburg's Community Development Block Grant  
Funding as a Direct Entitlement

This memorandum provides background information on the City of Gaithersburg's new status as a direct entitlement community for Community Development Block Grant (CDBG) funding in FY04. In particular, it describes effects of the change in status, goals and objectives of the CDBG program, and allowable uses for CDBG funds. The memorandum also provides the Mayor and City Council a brief overview of the activities to be completed before the City of Gaithersburg submits its Consolidated Plan to the U.S. Department of Housing and Urban Development (HUD) on May 15, 2003.

#### Change in Status

In FY04, Gaithersburg for the first time will receive CDBG funds directly from HUD, rather than as a pass-through from Montgomery County. As a direct entitlement community, Gaithersburg will receive a higher level of funding (approximately \$407,000, compared to \$279,000 received through the County in FY03). It will also have the authority to decide which eligible projects to fund, rather than having to submit proposed projects to the County for approval.

Being a direct entitlement community for CDBG, however, also imposes considerable administrative burdens on the City. Most significantly, the City is required to prepare a 5-year Consolidated Plan, a comprehensive planning document that also functions as an application for CDBG funding, and submit it to HUD by May 15, 2003. The Consolidated Plan must include an executive summary, a homeless and housing needs assessment, a housing market analysis, a strategic plan, and a 1-year action plan. A 30-day review and comment period and final Mayor and Council approval will precede the City's submission of the Consolidated Plan to HUD.

#### The CDBG Program: Goals and Objectives

The three main goals of the CDBG program are to provide decent housing, a suitable living environment, and expanded economic opportunities, principally for low- and moderate-income persons.

CDBG funds must be used to meet one of two national objectives:

- Benefit low- and moderate-income persons
- Aid in the prevention or elimination of slum or blight

### Use of CDBG Funds

Several rules govern the use of CDBG funds. The most significant restrictions are described below. Also provided is a breakdown of the three main categories of allowable spending (with corresponding dollar amounts).

Low/Mod Expenditure: Under CDBG, the City must use at least 70 percent of funds for projects that benefit persons of low or moderate income. Households with incomes up to 80 percent of median are eligible for direct assistance through this program. All persons living in low-moderate income areas as determined by HUD may also be beneficiaries of this program. Based on the 2000 census, median family income within the City of Gaithersburg is \$66,670.

Administrative Cap: Up to 20 percent of each year's grant may be used for planning and administration, which includes costs of preparing the Consolidated Plan and other required documents and general program administration costs (e.g, management and oversight, coordination, and monitoring of program activities).

Public Service Cap: Up to 15 percent of each year's grant may be used to fund public service projects.

Overall, the City's \$407,000 in CDBG funds may be used to fund three types of activities:

Administrative Costs (up to 20%)	\$ 81,000
Public Service Projects (up to 15%)	\$ 60,000
Capital Projects (remaining funds)	\$266,000

Within the last several years, the City has used its capital project funds for an elevator installation and other ADA modifications at the Casey Community Center, purchase and installation of the Bohrer Parent Resource Center and Gaithersburg Judy Center modular buildings, acquisition of the Sanders property at 402 and 404 East Diamond Avenue, and to purchase facade easements in Olde Towne.

Examples of funding under the public service cap include financial support to the Spanish Catholic Center for a physician at their Frederick Avenue medical clinic, security staff at the Gaithersburg Soup Kitchen (the Lord's Table), case management at Forest Oak Towers, and eviction prevention for Gaithersburg families provided by the Upper Montgomery Assistance Network.